

PREPARED DIRECT TESTIMONY
OF
SHIRINE KAZEMI

1-21-04

Dee

I.C.C. DOCKET NO. 03-0681

1. Q. Please state your name and business address.
A. My name is Shirine Kazemi. My business address is A & N Energy Systems, Inc., PMB 111, 1701 E. Empire St., Ste. 360, Bloomington, IL 61704
2. Q. What is your business and occupation?
A. I am the Secretary / Treasurer of A & N Energy Systems, Inc. (A & N).
3. Q. Please state briefly your educational and employment background.
A. Please see attached resume.
4. Q. What are your responsibilities?
A. I am responsible for the administration of the Security Account Control Agreement as well as the development of a small power production facility fueled by landfill methane that will be located at McLean County, Illinois.
5. Q. What are you asking the Commission to do in this docket?
A. A & N asks the Commission to issue an Order determining that A & N's proposed generating facility fueled by landfill methane located at the McLean County Landfills will be a qualified solid waste energy facility pursuant to Section 8-403.1 of the Illinois Public Utilities Act.
6. Q. Will you yourself be involved in the management of the solid waste facility?
A. Yes, I will be involved in the management of the landfill gas facility at the landfill.
7. Q. Who will be the principal operators and caretakers of the facility?
A. A & N Energy Systems, Inc. (see resume of Lawrence Murphy Exhibit 9) and Altorfer Power Systems, Inc.
8. Q. Who will be the owners of the facility?
A. A & N Energy Systems, Inc. The two owners of A&N have no interest in any electric facility and are not engaged in the production and sale of electric power, gas, or useful thermal energy from a source other than one or more QSEFs.

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9. Q. To whom do you intend to sell the electricity?
A. Illinois Power Company will be the buyer.
10. Q. Do any of the owners of the facility have ownership interests in Illinois Power or any other Illinois public utility?
A. No.
11. Q. I show you A & N Exhibit No. 1 and ask if you can identify this Exhibit?
A. Yes. A & N Exhibit No. 1 is a copy of a notice of self certification filed with the Federal Energy Regulatory Commission ("FERC") pursuant to 18 CFR section 292.207. The notice was assigned to Docket QF 03-83-000, and was file stamped received by FERC on April 12, 2003.
12. Q. I show you A & N Exhibit No. 2 and ask if you can identify this Exhibit?
A. Yes. A & N Exhibit No. 2 is a letter from the Illinois Environmental Protection Agency stating that it has approved a solid waste management plan for McLean County where A & N intends to locate its generating facility.
13. Q. I show you A & N Exhibit No. 3 and ask if you can identify this Exhibit?
A. Yes. A & N Exhibit No. 3 is an engineering drawing of the proposed generating facility that is to be built at the McLean County Landfills. The plans of the Altorfer Power Systems are proprietary and confidential.
14. Q. I show you A & N Exhibit No. 4 and ask if you can identify this Exhibit?
A. Yes. A & N Exhibit No. 4 is a copy of our financial plan which includes a fund to hold funds set aside pursuant to 83 Ill. Admin. Code 445.70(b) to reimburse the General Revenue Fund of the State of Illinois for any tax credit given in connection with the facility. Our plan is proprietary and confidential.
15. Q. How does A & N propose to provide electric energy?
A. The generating facility to be located at the McLean County Landfill will initially consist of 2 internal combustion engine (Caterpillar G3516 LE) and generator sets to be fueled with landfill methane, a byproduct of the decomposition of waste within the landfill. We do not anticipate the use of any other fuel at this facility for any reason.
16. Q. What will be the maximum gross electric power production capacity of the facility?
A. Our facility will not exceed 5 megawatts. This output will be achieved in two phases. During commissioning and start-up of the Phase I power plant, a gas flow study will

be undertaken to determine the number of engines in Phase II which can be operated on 100% landfill gas for a period not less than 10 years.

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17. Q. What will be the source of the fuel used for your generators?
A. Landfill methane will be the fuel and the source will be the old McLean County Landfill.
18. Q. What arrangement, if any, do you have with McLean County Landfill?
A. We have a contract with McLean County Landfill, Inc. to use its landfill and to build a generating plant.
19. Q. What examination have you made of the landfill to arrive at an estimate of the available methane gas?
A. We have some general projections that are demonstrated by the US EPA model and shown in Exhibit No. 5. In addition A & N has installed 65 gas extraction wells with temporary gas collection piping. A pump study was performed and the test results have been compared to the US EPA model for correlation.
20. Q. Does A & N Energy or any of its affiliates own any interest in any electric generating facilities that are not qualified solid waste energy facilities?
A. No.
21. Q. Are you aware of 83 Ill. Admin. Code Part 445 and will A & N comply?
A. Yes, we are aware of 83 Ill. Admin. Code Part 445. We will comply with all Illinois laws and rules of the Commerce Commission.
22. Q. Who will manage the investments that will comprise the reimbursement fund for the repayment required under Section 8-403.1 of the Illinois Public Utilities Act?
A. A & N will utilize Merrill Lynch, Pierce, Fenner and Smith, Inc. (the "Custodian") of Orland Park, IL as the reimbursement fund manager for repayment to the Illinois Commerce Commission. If at any time before repayment is completed the fund manager is changed, our annual report to the Illinois Commerce Commission will identify the new manager along with the status of the reimbursement fund.
23. Q. What will be the approach taken with respect to the investment of funds in the reimbursement fund?
A. The fund manager will review the fund periodically, and make such changes as it deems necessary within and subject to the investment criteria governing management of the fund to insure that funds equal to the actual credits are available. The fund will be bankruptcy protected; will be invested 50% in bonds with an average Standard & Poors, Mood's or Fitch rating of AA and 50% in a diversified portfolio of common or preferred stock and mutual funds listed in the S&P 500; and be payable only to the Illinois Commerce Commission until all the tax credits are repaid.

24. Q. What are the investment criteria?
- A. The investment criteria as outlined by the Illinois Commerce Commission are listed in the attached Security Agreement.
25. Q. I show you A & N Exhibit No. 6 and ask if you can identify this Exhibit?
- A. Yes. This is the Security Agreement. The Security Agreement is proprietary and confidential because it contains competitively sensitive financial information.
26. Q. How will the fund be adjusted to insure that there are always sufficient funds on hand to repay the Illinois Commerce Commission?
- A. The funds will be held in an investment account with Merrill Lynch, Pierce, Fenner and Smith, Incorporated. The funds will not be used for any purpose other than for reimbursing the Public Utility Fund and the General Revenue Fund in the State Treasury for the actual reduction in payments to those funds caused by credits to State taxes under Section 8-403.1d of the Public Utilities Act. Copies of the Utility's tax credits taken against State taxes under Section 8-403.1d will be obtained and used as the benchmark for monies due and owing each year of the contract. The Fund Manager will adjust the fund and requisition additional funds as needed, to insure the funds equal to the actual credits. This true-up between the fund and the actual tax credit will be accomplished not less than annually. We intend to work with the Staff of the ICC to assure that our investment criteria meets the objective set forth in 83 Ill. Admin Code Part 445.
27. Q. I show you A & N Exhibit No. 7 and ask if you can identify this Exhibit?
- A. Yes. This is a picture of the McLean County Landfill that we propose to develop. If you look closely at the picture, you can see the location of the gas extraction wells which were installed this past summer at a total cost of \$365,000 which includes the cost of the pump study.
28. Q. I show you A & N Exhibit No. 8 and ask if you can identify this Exhibit?
- A. Yes. This is my resume.
29. Q. I show you Exhibit No. 9 and ask if you can identify this Exhibit?
- A. Yes. Exhibit 9 is the resume of A & N's Senior Vice President, Lawrence Murphy. He will be the principal operator.
30. Q. Does this complete your testimony?
- A. Yes.

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